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## **Consensus Tax Policy in Republican Health Care Reform**

# **House, Senate Agree on Health Care Access Provisions**

Now that both the House and the Senate have passed health care reform bills, the time has come for the seemingly difficult job of reconciling the two approaches. One, passed by the House, seeks increased safeguards by expanding trial lawyers' participation (even to include suits against employers who provide health insurance to their employees). The other, passed by the Senate, seeks increased safeguards by expanding physicians' participation. Yet the bills have a key area of agreement: expanding access. Specifically, the tax relief provisions in both bills represent a policy consensus that effectively takes this crucial element of both bills "off the table," that is, they *will be in* the agreement that comes out of the conference. In legislative parlance, they are virtually "nonconferenceable items."

How strong is the consensus? Almost complete. There is no element in the Senate Republican Patients' Bill of Rights (S. 1344) dealing with access that is not also in the House bill, H.R. 2990. And there is no element in the House bill that was not in the Republican tax cut bill that was sent to the President. Thus, every element of both bills has passed both bodies at least once already — and in some cases more than once. Congress supports these provisions, which both increase and encourage continued access to health insurance.

Meanwhile, the President has already said he would not sign a bill containing these same provisions, and instead the plan he and the liberals favor would increase the uninsured population by at least 4.5 percent!

The Senate-passed S. 1344 would provide \$31 billion in health-related tax relief over 10 years and is not only fully offset in 2000 and 2004 but actually adds \$1.4 billion and \$5.3 billion to the surplus in these respective periods. The House-passed H.R. 2990 would provide \$48.6 billion in health-related tax relief over 10 years and has no cost in 2000. Neither bill conflicts with the Budget Act or touches any of the Social Security surplus.

## **House and Senate Bills Both Contain Self-Employed Deductibility Provision**

Both the Senate and the House recognize the need to end the tax discrimination against the self-employed as soon as possible. Currently, tax law prevents the self-employed and their families from getting tax relief for the purchase of health insurance equivalent to that they would get if it were provided through an employer. In addition, the House would extend full deductibility

to those who choose not to participate in employer-sponsored health plans but buy their health insurance on their own. The Senate's proposal applies to tax years after 12/31/99 for five-year tax relief of \$2.949 billion. The House's proposal applies to tax years after 12/31/00 for five-year tax relief of \$1.971 billion.

### **House and Senate Bills Both Contain Medical Savings Accounts (MSAs)**

Medical savings accounts (MSAs) are like health insurance IRAs. They are individually controlled savings accounts that consumers purchase in conjunction with a high-deductible insurance plan. The MSA holder may make tax-free contributions and withdrawals of his own money for his own needs. While the Senate has the overall stronger proposal, the House made some important changes which would only further strengthen MSAs as a health insurance option. The key differences on MSAs between the two bills are —

- **H.R. 2990:** Provides relief amounting to \$1.217 billion over five years; effective after 12/31/00; both employees and employers may contribute to the MSA; dollar-defined variables (such as deductibles, etc.) are indexed for inflation; and MSAs may be offered in conjunction with employer's "cafeteria" benefit plans.
- **S. 1344:** Provides relief amounting to \$1.483 billion over five years; effective after 12/31/99; allows federal employees to participate through the FEHBP; allows tax-free withdrawals of money exceeding deductible (i.e., out-of-pocket expenses); and allows HMO participation in MSA-linked insurance products.

### **House and Senate Bills Both Contain Long-Term Care Insurance**

Both bills provide a phased-in deduction for long-term care insurance expenses for those not receiving more than a 50-percent contribution from their employer (the phased-in deduction is 25 percent in 2002-2004, 35 percent in 2005, 65 percent in 2006, and 100 percent in 2007 and thereafter). This provision provides \$741 million in five-year tax relief and also was contained in Title V of the vetoed Republican tax cut bill.

### **Congress-Passed Provisions**

Seven provisions contained in H.R. 2990 were in the Republican tax cut bill, H.R. 2488, that passed both houses and was vetoed by the President. (Only one minor House provision affecting clinical testing research expenses, worth \$2 million in tax relief over five years, has not been passed by both houses previously.) Among the major provisions already agreed to by both houses are:

- A phased-in deduction (25 percent in 2002-2004, 35 percent in 2005, 65 percent in 2006, and 100 percent in 2007 and thereafter) for health insurance expenses for those not receiving more than a 50-percent contribution from their employer. This provision

provides \$3.3 billion in five-year tax relief and was contained in Title V of the Republican tax cut bill.

- Allowing long-term care insurance to be offered through so-called “cafeteria” employer-provided benefit programs. This provision provides \$426 million in five-year tax relief and was contained in Title V of the Republican tax cut bill.
- Provision of an additional personal exemption for those taking care of elderly family members in their homes. This provision provides \$977 million in five-year tax relief and was contained in Title V of the Republican tax cut bill (the provision in HR 2990 is effective after 12/31/00).

### **Why Does the President Oppose Increased Health Insurance Access?**

Neither health care reform bill touches the Social Security surplus — that was the criterion the President applied when he supported a \$295 billion Democrat tax-cut alternative earlier this year. So why does the President reject health care reform legislation if it contains what he is calling “poison pill provisions”? It is hard to avoid the conclusion that the Clinton-Gore Administration has a darker motive behind its support for the dubious proposition of improving patient health through lawsuits. Either the President and his party prefer a political issue for the next campaign more than they want a consensus bill, or they do actually want to deny access to health insurance.

Since the health insurance access provisions in both bills already have passed Congress at least once, it is obvious that the Clinton-Gore Administration is not interested in negotiating in good faith and accepting Congress’ consensus position. Since these provisions do make health care more affordable, they will increase and maintain access to health insurance. So it is equally clear that the Administration is not interested in compromise on the issue of health care reform or is uninterested in access to private health insurance.

If the President refuses to recognize Congress’ role in health reform — as he and Mrs. Clinton did in 1993 and 1994 when they sought to single-handedly nationalize the nation’s health system — then Congress should remember its role in representing the American people. There are 144 million Americans who have health insurance and 44 million who do not. Congress should concentrate on guaranteeing that those who have health insurance can keep it and that those who don’t are able to gain access to it. Congress must represent these people, and the Clinton-Gore Administration can decide if it would rather represent lawyers when it comes to health care.

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